

Message Text

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ACTION EUR-25

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USIA-15 SAM-01 COME-00 EB-11 LAB-06 SIL-01 NIC-01

DRC-01 OMB-01 TRSE-00 /125 W
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SUBJ: IRISH MAKE ANOTHER TRY FOR RENEWAL WAGE PACT

REF: DUBLIN 1651 (DEC 14, 1973); 0164 (JAN 31, 1974)

SUMMARY: FEBRUARY 10 AND 11 PRESS REPORT IRISH EMPLOYER ORGANIZATIONS HAD DRAWN UP NEW WAGE AGREEMENT PROPOSALS TO REPLACE THOSE REJECTED BY TRADE UNIONS LAST MONTH. NEW TWELVE-MONTH AGREEMENT HAS TWO PHASES PLUS COST OF LIVING SUPPLEMENT WHICH REPORTEDLY WILL RAISE AVERAGE IRISH WORKERS PAY BY ESTIMATED 18.3 PERCENT IN TOTAL. UNIONS TO VOTE ON AGREEMENT MARCH 7. WHILE AGREEMENT IS EVEN MORE INFLATIONARY THAN PREVIOUSLY REJECTED PROPOSALS, ITS PROMISE OF ANOTHER YEAR OF INDUSTRIAL STABILITY HAS WON MEDIA AND GOVERNMENT SUPPORT. OBSERVERS FEEL CONTINUED WAGE STABILITY NEEDED TO MAINTAIN IRELAND ON EXPANSIONARY REAL GROWTH TRACK. ACCEPTANCE BY UNION RANK AND FILE, HOWEVER, MAY REQUIRE DEFINITIVE INDICATIONS BY GOI OF ITS PLANS TO REDUCE TAX BURDEN ON LOW INCOME WORKERS AND IMPOSE TAXES ON FARMERS AND WEALTH/CAPITAL GAINS.

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1. IRISH EMPLOYERS ORGANIZATIONS (WHICH INCLUDE SEMI-STATE ORGANIZATIONS) HAVE PUT NEW, SWEETENED "FINAL" WAGE PACT TO IRISH CONGRESS OF TRADE UNIONS (ICTU) FOR DECISION BY SPECAIL DELEGATE CONFERENCE MARCH 7. PROPOSED TWELVE MONTH AGREEMENT PROVIDES FOR TWO WAGE RISES, ONE WHEN AGREEMENT TAKES EFFECT AND ONE SIX MONTHS LATER, SCALED AGAIN EXISTING PAY LEVELS AS FOLLOWS:

EXISTING	WEIGHTED		PERCENTAGE	
BASIC PAY TOTAL	(POUNDS STERLING)			
PER WEEK	INCREASE	PHASE I	PHASE II	INCREASE
15 POUNDS	3.70	2.40	1.30	20.3
20 POUNDS	3.90	2.40	1.50	15.8
25 POUNDS	4.56	2.85	1.71	14.8
30 POUNDS	5.23	3.30	1.93	14.2
40 POUNDS	6.36	4.00	2.36	13.0
60 POUNDS	8.30	5.10	3.20	10.7

2. AGREEMENT ALSO PROVIDES FOR ADDITIONAL COST OF LIVING SUPPLEMENT OF ONE PERCENT FOR EACH PERCENT THAT COST OF LIVING RISES BY MORE THAN 10 PERCENT BETWEEN MID-NOVEMBER 1973 AND MID-NOVEMBER 1974. IT PROVIDES EQUAL INCREASES FOR MEN AND WOMEN, FOR 33 PERCENT NARROWING OF DIFFERENTIAL BETWEEN MALE AND FEMALE WAGE SCALES, AND INCLUDES ARRANGEMENTS TO BRING TERMINAL DATES IN DIFFERENT INDUSTRIES CLOSER TOGETHER.

3. PROPOSED AGREEMENT WAS ENDORSED BY FEB 11 IRISH INDEPENDENT AND IRISH PRESS (NORMALLY REPRESENTING GOVERNMENT AND OPPOSITION PARTIES) AND WAS WELCOMED BY IRISH PRIME MINISTER COSGRAVE, MINISTER OF LABOUR O'LEARY, AND VICE PRESIDENT OF ICTU CARROLL. EMPLOYERS' SPOKESMAN DESCRIBED OFFER AS "DANGEROUSLY INFLATIONARY" IN NOT-TOO-OBLIQUE WARNING THAT THIS IS AS FAR AS MANAGEMENT WILL GO, WHILE SPOKESMAN FOR BRITISH-BASED AMALGAMATED TRANSPORT AND GENERAL WORKERS UNION (WHICH OPPOSES WAGE AGREEMENTS IN PRINCIPLE) SAID PROPOSALS DID NOT MEET ASPIRATIONS MANIFEST IN CLAIMS ALREADY BEING SERVED (33 PERCENT INCREASE FOR CRAFT AND OTHER WORKERS CURRENT RECEIVING 29 POUNDS PER WEEK).

4. SOURCE CLOSE TO MINISTER FOR LABOUR STATES ECONOMIC AND SOCIAL RESEARCH INSTITUTE HAS ANALYSED PROPOSALS AND ESTIMATES THAT TWO LIMITED OFFICIAL USE

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PHASES, PLUS COST OF LIVING SUPPLEMENT, WILL WORK OUT TO 18.3 PERCENT TOTAL AVERAGE WAGE RISE. IN COMPARISON, IN PEECH RE ECONOMY FEB 9, PRIME MINISTER COSGRAVE NOTED THAT AVERAGE HOURLY INDUSTRIAL WAGE RATES HAD RISEN BY SOME 20 PERCENT IN YEAR ENDED SEPTEMBER 1973. COSGRAVE POINTED OUT THAT EVEN WITH 12 PERCENT CONSUMER PRICE INCREASES RECORDED LAST YEAR, WORKERS HAD ACHIEVED SUBSTANTIAL GAINS IN REAL TERMS.

5. SAME SOURCE ABOVE ALSO INDICATED MINISTER FOR LABOUR WILL MAKE ACTIVE EFFORT TO SELL NEW AGREEMENT, KEY ASPECT, HOWEVER, IS COALITION GOVERNMENT'S COMMITMENT, GIVEN IN PRE-FEBRUARY 1973 ELECTION MANIFESTO, TO IMPROVE TAX STRUCTURE, WHICH BECAUSE OF INFLATION NOW BEARS HEAVILY ON EVEN LOWEST PAID WORKERS AND DOES NOT TAX FARMERS OR CAPITAL GAINS. IN FEB 9 SPEECH, PRIME MINISTER COSGRAVE STRESSED THAT GOI WOULD CONTINUE WITH PROGRAM AIMED AT ACHIEVING MORE EQUITABLE DISTRIBUTION OF BURDENS AND BENEFITS TO COMMUNITY AND WOULD SEE THAT HEAVY ECONOMIC BURDENS OF INCREASED OIL BILL ETC. WOULD BE SHARED FAIRLY THROUGH AN EQUITABLE TAX SYSTEM. SAME DAY, FINANCE MINISTER RYAN PROMISED TO CORRECT FAULTS IN TAX SYSTEM. NEVERTHELESS, IF GOI IS TO SELL THIS LATEST AGREEMENT, GOVERNMENT MAY HAVE TO PROVIDE CONSIDERABLY MORE CONCRETE EVIDENCE OF ITS INTENTIONS IN TAX REFORM AREA BEFORE MARCH 7. ICTU VOTE.

6. IN EDITORIAL FEBRUARY 11, WHICH WELCOMED PROPOSED NEW AGREEMENT, AND IN COMMENTARY FEB 9, IRISH TIMES SUGGESTED THAT FINE GAEIL PARTY HAS BEEN LETTING ITS COALITION LABOUR PARTY PARTNERS CARRY THE CAN IN RECENT DAIL DEBATE RE DIFFICULT INDUSTRIAL RELATIONS AND PRICES AREA. EDITORIAL SPECULATED THAT PRIME MINISTER COSGRAVE HAS BEEN HOLDING BACK ON TAX REFORMS UNTIL LABOUR MINISTERS SHOW THEY CAN DELIVER ON WAGE AND PRICES. TIMES CRITICIZED ADOPTION OF THIS STRATEGY AT TIME OF MAJOR NATIONAL ECONOMIC PROBLEMS.

7. COMMENT: NEW AGREEMENT IS CLEARLY GABBLE BY MANAGEMENT, RESPONSIBLE UNION LEADERS, AND GOVERNMENT TO TRY TO WIN BACK TRADE UNION RANK AND FILE SUPPORT FOR CENTRALIZED COLLECTIVE BARGAINING, WITH ITS BUILT-IN INDUSTRIAL STABILITY. TERMS OF NEW PROPOSALS ARE EVEN MORE INFLATIONARY THAN THOSE REJECTED EARLIER, BUT IT IS DIFFICULT TO ENVISAGE WORKERS ACCEPTING LESS WHEN PROSPECTS ARE THAT 12 PERCENT INFLATION RATE RECORDED LAST YEAR MAY WELL BE PUSHED STILL HIGHER BY INCREASED PETROLEUM PRICES.

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AT THIS STAGE IRISH ECONOMIC FORECASTERS PREDICT IRISH ECONOMY WILL GROW BY FROM 4 TO 5.5 PERCENT, SO LONG AS OIL SUPPLIES REMAIN AVAILABLE AND BRITISH MARKET AND SUPPLIERS ARE NOT TOO BADLY HURT BY UK ECONOMIC/POLITICAL CIRSES. OBSERVERS FEEL THAT INFLATION IN REST OF EUROPE WILL CATCH UP WITH IRELAND THIS YEAR, AND BEST COURSE IS TO CONTINUE TO PURSUE EXPANSIONARY ECONOMIC POLICIES DESIGNED TO MAXIMIZE GROWTH. EXPERIENCE OF PAST FEW YEARS APPEARS TO HAVE DEMONSTRATED THAT IRELAND CAN COPE WITH RAPID INFLATION AND STILL STIMULATE REAL GROWTH SO LONG AS INDUSTRIAL RELATIONS ARE REGULATED BY CENTRALIZED WAGE BARGAINING. MOORE

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